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Wednesday, October 9, 2002

Using tobacco cash to redirect farms is focus of summit

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Keeping tobacco farmers in agriculture -- whether it is apples, corn or worms -- was the focus yesterday of a policy forum in downtown Louisville.

Officials from 10 tobacco-producing states met at the Seelbach Hilton Hotel to discuss how to use money from the tobacco settlement agreement.

The forum, sponsored by the National Governors Association and Kentucky's Office of Agricultural Policy, attracted policymakers and agriculture officials from Georgia, Indiana, Missouri, North Carolina, Ohio, South Carolina, Tennessee, Virginia and West Virginia.

Kentucky officials used the event to talk about the state's settlement fund programs, which since January 2001 have committed more than \$96 million to state and county programs designed to create farming initiatives and wean tobacco producers off their traditional cash crop.

"Our farm families have seen their short-term income significantly reduced and their long-term prospects become noticeably bleaker," Gov. Paul Patton said in his opening remarks. "It is essential for the quality of life in our state to maintain farm families and their unique way of life."

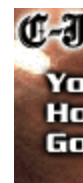
During a luncheon presentation, Kentucky Agricultural Development Fund Executive Director John-Mark Hack explained how the fund allocates its share of the 1998 tobacco industry settlement of lawsuits brought by the states. The state received \$180.3 million in fiscal years 2001 and '02 and is expected to get \$117.4 million for each of the next two years.

According to Hack, the fund will allocate \$76.3 million to state projects, including \$38.9 million for agricultural development projects and \$18 million in environmental cost share assistance. He said \$41.1 million will go to county projects.

From January 2001 through August, the fund has allocated nearly \$45 million to help develop new markets, including horticultural, livestock and grain programs. Hack highlighted a Hopkinsville cooperative that is raising corn for ethanol production and a Central Kentucky farmer who makes apple cider in a former tobacco barn.

Vickie Yates Brown, a member of the development fund's board, said programs such as this are essential to maintaining Kentucky farm health.

"In Kentucky, we're not going to be able to maintain viable farm communities unless we are



able to offer them alternatives to the main cash crop," Brown said.

Hack said he was pleased with what the state has accomplished since launching the program, but he said it is far from reaching its goals. The program has assisted 2,000 to 3,000 tobacco farmers out of 45,000 active producers in the state. But Hack said about 70 percent of the growers will "likely be displaced because of the way (tobacco is) produced" in the future, alluding to cigarette makers purchasing more tobacco overseas.

"We've been in this for two years, and we're nowhere near addressing the demands among our farmers," Hack said. "This really requires a long-term commitment from the General Assembly and our governor."

But while Hack said the program has a long way to go, National Governors Association officials said the program was a model for other tobacco-producing states.

"What Kentucky is doing is the right focus on re-energizing the entrepreneurial spirit in the tobacco community," said Phil Psilos, the association's director of economic and technology policy studies. "I can't understate how important this is. This is a national model that combines top-down strategic coordination and bottom-up planning."

Several other states highlighted their fund-settlement programs. Ohio, through the Southern Ohio Agriculture & Community Development foundation, offers to share half the cost on business start-ups, up to \$50,000 per grower. State officials, however, also allocated more than \$240 million, initially designated for tobacco prevention programs, into the state's general reserve fund to overcome budget shortfalls.

In Indiana, state officials have placed \$35 million in a trust fund for efforts discouraging tobacco use. A summary sheet presented at the summit admitted that "this may be considered more controversial because of tobacco farming," but noted the state was compensating growers with nearly \$60 million between 1999 and 2010 in the settlement fund's second phase.

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